



STATE OF THE REGION



June 30, 2002

FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS

January 1, 2002 to June 30, 2002

Region III

HIGHLIGHTS

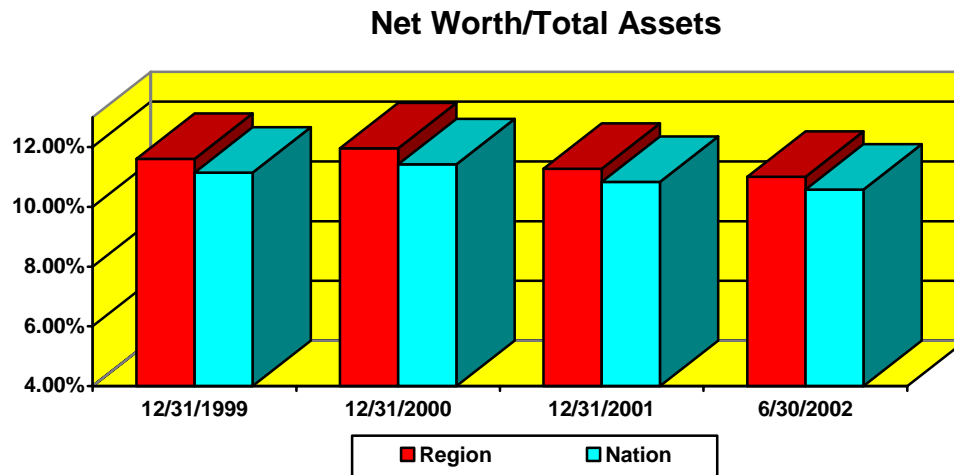
This report provides a summary of the trends of federally insured credit unions in Region III as of June 30, 2002.

Key financial indicators are noted below:

- **Assets** increased \$6.3 billion or 7.5%.
- **Capital:** Net worth increased 5.2% or \$501 million, while the net-worth-to-assets ratio increased to 11.01%.
- **Loans** increased \$1.4 billion or 2.7%.
- **Shares** increased \$5.8 billion or 7.8%. The loan-to-share ratio decreased to 70.77%.
- **Cash on hand, cash on deposit, and cash equivalents** increased \$1.1 billion or 12.1%.
- **Total investments** increased \$3.5 billion or 19.8%. **Long-term investments** (over 1 year) increased \$2.25 billion or 15.2%.
- **Profitability** increased with a 1.07% return-on-average assets.
- **Delinquent loans** as a percentage of total loans declined from the year ending 2001 level of 0.88% to 0.77%. Net charge-offs as a percentage of average loans increased from 0.47% to 0.51%.

CAPITAL

The net worth ratio declined from 11.28 percent to 11.01 percent during the first six months of the year. However, net worth for the region remains above the national level. Nationwide, net worth declined from 10.84 percent to 10.58 percent. The following graph compares regional and national net worth trends since December 31, 1999.



ASSET QUALITY

LOAN TRENDS: Total loans increased \$1.4 billion or 2.7% for the first six months of 2002. All loan categories except Unsecured Credit Card Loans and Other Unsecured Loans increased. Growth in the different categories follows:

Unsecured credit card loans decreased \$122 million (3.7%);

All Other Unsecured Loans decreased \$175 million (4.0%);

New Auto Loans increased \$45 million (0.4%);

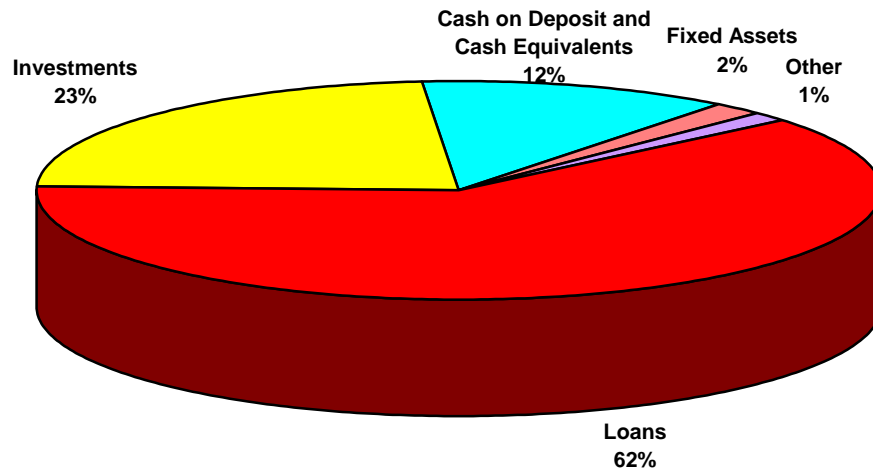
Used Auto Loan increased \$410 million (3.6%);

First Mortgage Real Estate Loans increased \$1.1 billion (6.9%)

Other Real Estate Loans increased \$271 million (5.5%)

Leases Receivable increased \$5.7 million (4.5%)

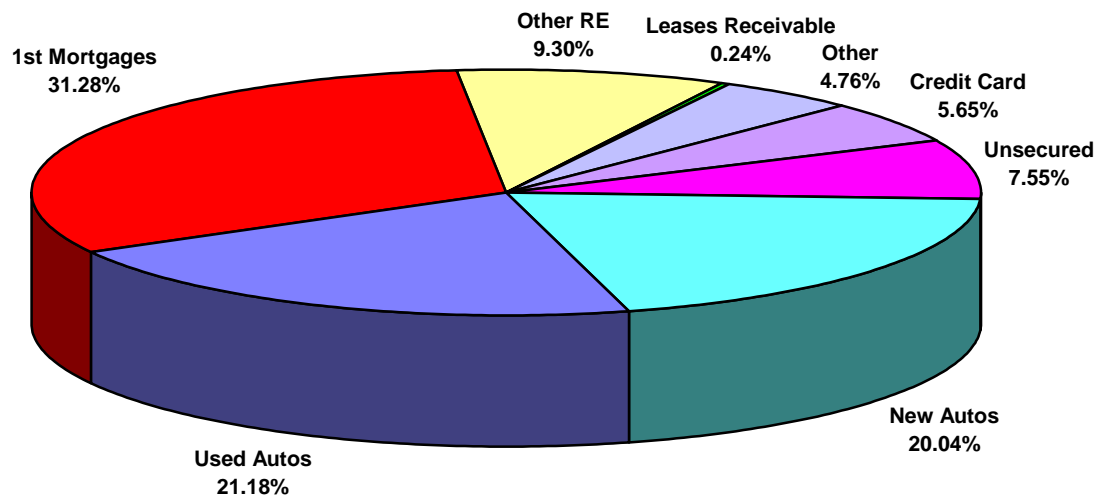
ASSET DISTRIBUTION



First mortgage real estate loans (17.5 billion) comprise 31% of all loans, with \$9.6 billion or 56% of first mortgage real estate reported as fixed-rate. Region III credit unions granted \$4.5 billion in fixed-rate and \$2.6 billion in adjustable-rate first mortgage real estate loans through June 30, 2002. Region III credit unions also sold \$1.9 billion of first mortgage loans, which includes both fixed and adjustable rates.

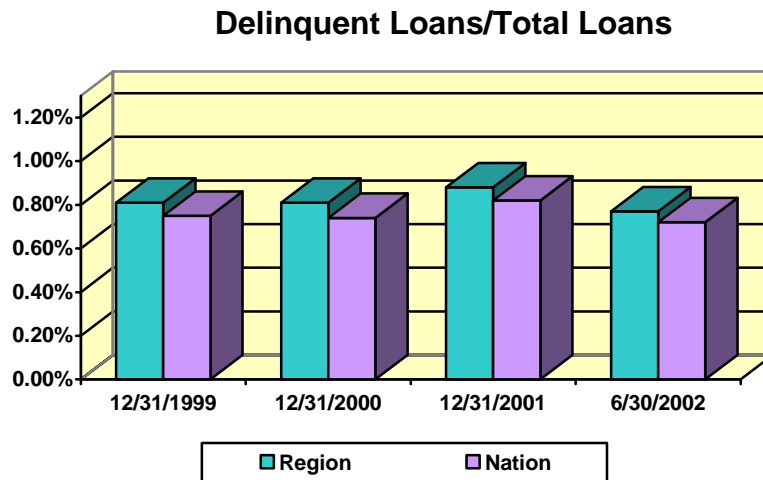
The annualized loan growth of 5.31% is below the 5.82% level achieved for the period ending December 31, 2001. Shares grew at an annualized rate of 15.69% causing the loan-to-share ratio to decrease to 70.77%.

LOAN DISTRIBUTION

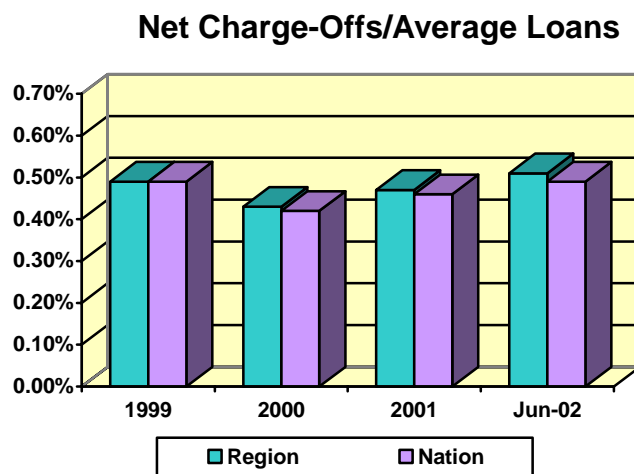


DELINQUENCY TRENDS:

Total delinquent loan dollars decreased \$52.7 million or 9.9% for the first six months of 2002. The delinquency ratio decreased from 0.88% on December 31, 2001 to the 0.77% level for June 30, 2002.



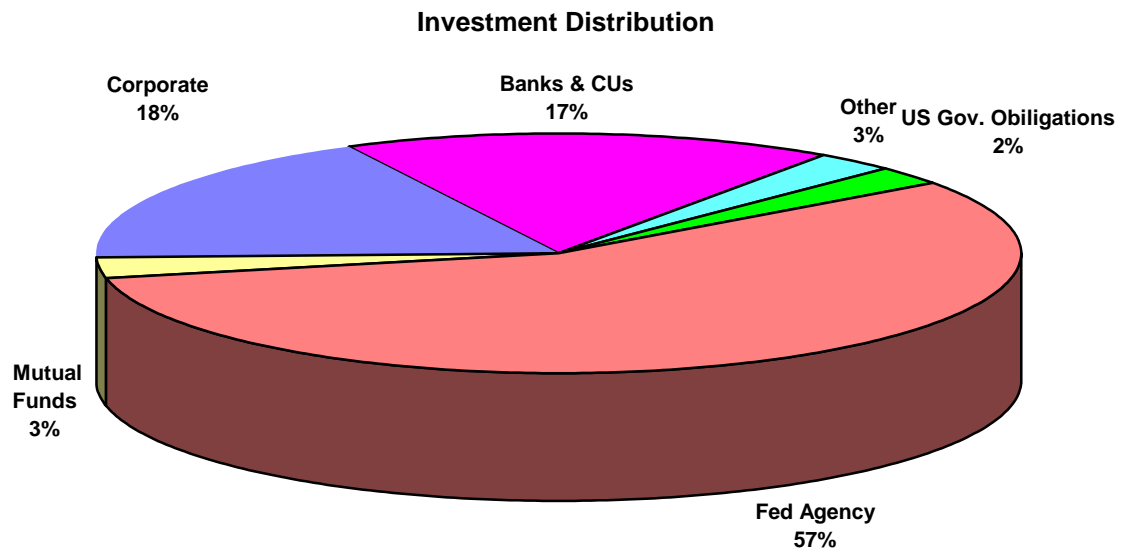
Loan losses increased during the six months. The regional net charge-off ratio is slightly above the national net charge-off ratio.



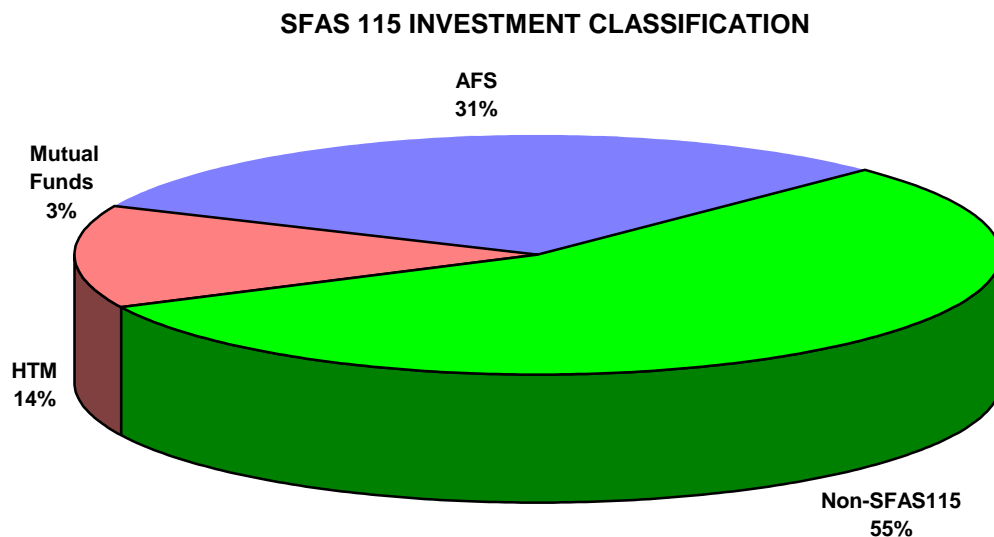
As of June 30, 2002, Region III credit unions reported \$170 million of outstanding loans subject to bankruptcy and also charged off \$135 million of bankrupt loans. This accounts for 40% of all charged-off loans for the first quarter. The number of members filing for bankruptcy decreased 46%.

INVESTMENT TRENDS:

Total investments increased \$3.5 billion or 13.9% for the period. All of the investment categories increased. Cash on hand, cash on deposit, and cash equivalents increased



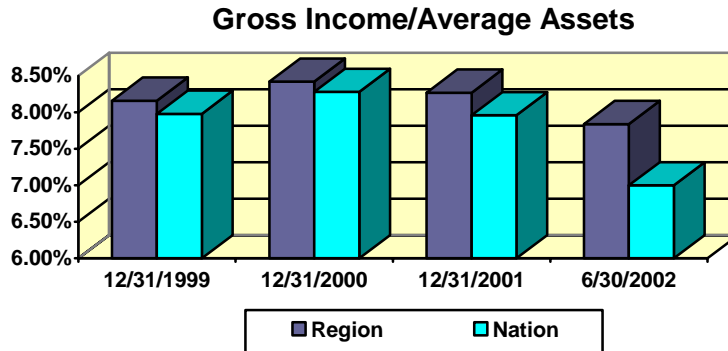
\$1.3 billion or 18.4%. Investments with maturities greater than a year increased \$2.1 billion (19.5%). Non-SFAS investments increased \$1.89 billion or 19.6%. Held-to-maturity investments increased \$295 million (8.1%). Available-for-sale investments increased \$1.2 billion or 16.4%. Federal agency securities continue to constitute the largest portion (69%) of the investment portfolio.



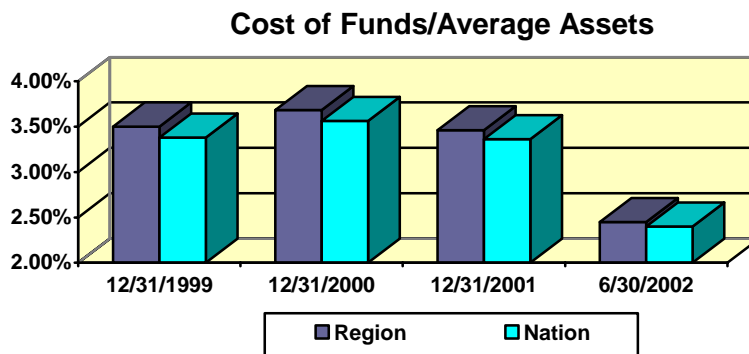
As of June 30, 2002, held-to-maturity and available-for-sale investments comprise 45% of the investment portfolio (31% and 14% respectively).

EARNINGS

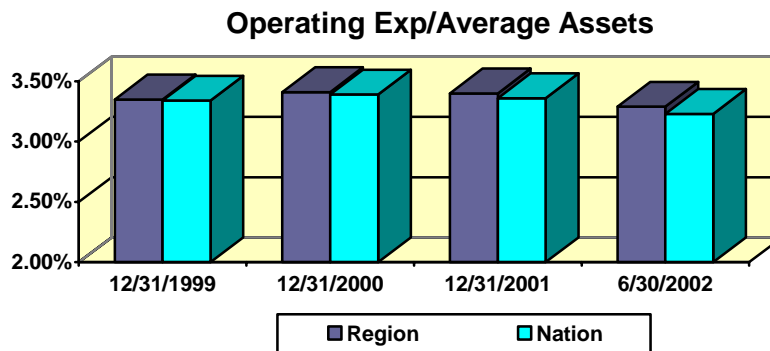
The earnings ratio shows a decline in gross income. The gross income ratio decreased from 8.11% to 7.16%.



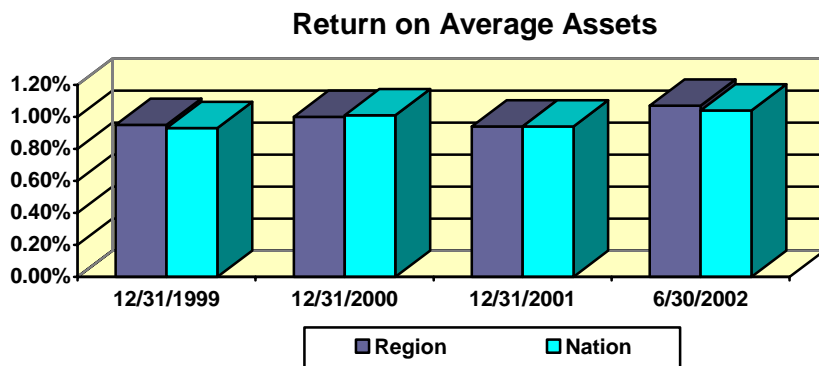
The cost-of-funds ratio experienced a significant decline from 3.46% to the current level of 2.45%.



Total operating expenses also decreased from 3.40% to 3.29%.

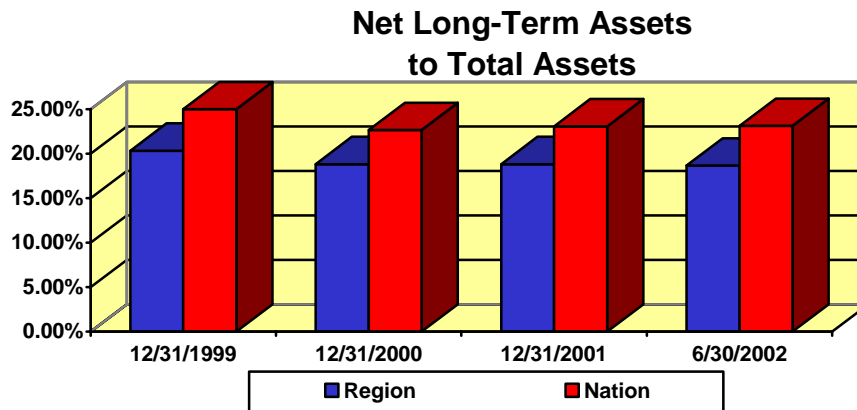


The return-on-average assets continues to increase. The current net income ratio of 1.07% is well above the 0.94% level for December 31, 2001.

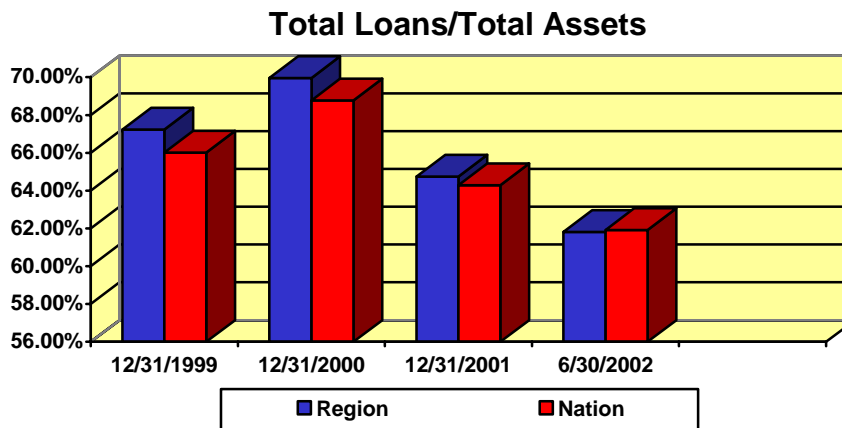


ASSET/LIABILITY MANAGEMENT

LONG-TERM ASSET TRENDS: Net long-term assets as a percentage of assets decreased for the first six months of the year to 18.67%. The regional level of long-term assets remains well below the national level of 23.12%.



The loans to assets ratio decreased for the current period. The increased share growth and a decreased level of loan growth caused the decline.



SHARE TRENDS: Total shares increased \$5.8 billion or 7.8% through the first six months. Growth rates for the various share categories follow:

Share drafts – increased \$1.03 billion or 11.6%

Regular shares – increased \$3.5 billion or 13.4%

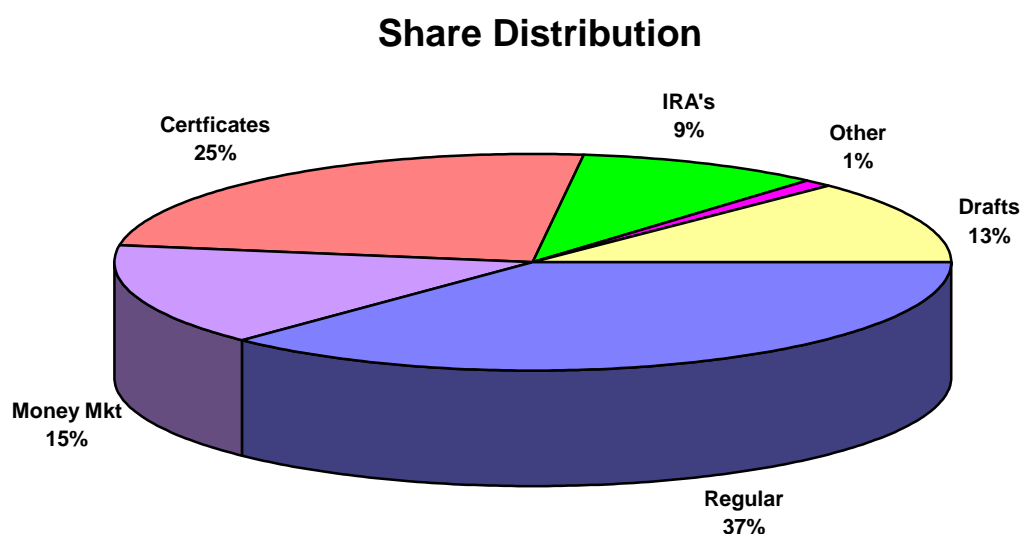
Money market shares – increased \$1.6 billion or 15.5%

Share certificates – decreased \$895 million or (4.4%)

IRA/Keogh accounts – increased \$306 million or 4.4%

Other shares – increased \$116 million or 30.5%

Non-member deposits – decreased \$534,387 or (0.4%)



The largest increase in share dollars compared to the same period last year is in the “less than one-year maturity” category. This is consistent with the large dollar growth in share drafts, regular share, and money market accounts.

Share Maturity or Repricing Interval	Shares June 2001	Shares June 2002
Less than 1 year	63,190,594,397	72,923,745,379
1 to 3 years	5,459,185,592	5,088,786,648
3 or more years	1,238,386,822	1,182,527,490

Shares maturing or repricing in less than one year also experienced a higher rate of growth.

Share Maturity or Repricing Interval	% Of Total Shares June 2001	% Of Total Shares June 2002
Less than 1 year	90.42%	92.09%
1 to 3 years	7.82%	6.43%
3 or more years	1.78%	1.50%

Share growth continues to outpace loan growth. The share growth rate of 15.69% significantly exceeded the loan growth rate of 5.31%.

Credit unions reported total unused commitments of \$12.30 billion. Unused credit card lines comprise \$7.2 billion or 58.5% of total unused commitments.